S.F. EHRLICH ASSOCIATES, INC.

March 31, 2022

Managing Your Money

STAN'S WORLD—THE TALK

When you work with as many families as we do, there's always a story. Some are comical in nature, and we get to share a laugh, while others are profoundly serious. Based upon lessons learned over the past 26 years, this Stan's World is for every client who has living parents or adult children.

If you have senior parents, think of this as advance notice. There may come a day when you may have to provide some level of assistance to your parent(s). A degree of caretaker status is often bestowed upon us without warning, and that's usually when the proverbial spam hits the fan. Frankly, few of us receive training for these roles[1].

I know this is a delicate subject but see if you can initiate The Talk with your parents. (I acknowledge this is not easy to do.) The Talk involves your parents disclosing to you such critical information as:

- Where are their wills and other legal documents (e.g., power of attorney, health care proxy, etc.)?
- Where is the list of bank and investments accounts and associated passwords so they can be accessed?
- Who is their attorney? Accountant? Financial planner? Primary physician?
- Is there a safe deposit box? Where is the key? Who has access?
- Where do they want to be buried? Or where do they want their ashes distributed?
- What sort of end-of-life care do they want, and were their wishes put into writing?
- Do they have long-term care insurance? Life insurance?

STAN'S WORLD—THE TALK (CONT'D)

By now, you get the point. It's unfair for parents to burden their children without providing adequate information, and that's the pitch to get The Talk started.

If you're a senior with adult children, I implore you to engage them (or at least one of them) in a conversation about all the above and, to some degree, your personal finances. Sadly, we've been involved with situations where adult children had to assume care for parents, and they started with a knowledge base of zero.

You need to share enough information with your adult children so they can help you when the going gets rough and you need a little help. I'm writing to persuade you to do something far in advance of when that day might come. (If you read Jack Reacher novels, I'm using Reacher's philosophy: "Hope for the best, plan for the worst.")

I recently was on a multi-discipline virtual panel discussing retirement. One of the panelists told the story of a female client who didn't know anything about her own finances. Only after her husband passed did she discover she had a net worth of $700. $700!! If you think that's blatantly unfair to do to your spouse, the feelings are similar if you withhold critical information from a child who might take on a caretaker role for you. (Credit where credit is due: The term The Talk was used by an attorney on the panel.)

The Talk is merely the first step. A family member, for example, can't call a doctor for medical information about a parent and expect them to disclose confidential information. Doctors and hospitals only respond when presented with documents that give the family member the authority to either make decisions or have information shared. Lacking those papers, care decisions will be made by others. Who would prefer that option?

I'm aware that revealing all to an adult child can feel like the first step to losing control. In fact, you're taking control because you're deciding who will make decisions for you if you can't do so in the future. You're not relinquishing your authority over anything. Rather, you're delegating authority as needed in the future. And if you don't want to discuss account balances with family members, just reveal where accounts are held.

For older clients, here's another sensitive subject for you to ponder. It would be worthwhile for a trusted family member, your attorney, your accountant, and/or your financial planner to all know who to call should any of them detect a decline in your cognitive behavior. People who have had similar discussions with you for years may detect subtle differences that may warrant further conversation with your loved ones. I know this is uncomfortable to think about, but people who respect you and value your friendship need to know where to turn if they think anything is awry.

STAN'S WORLD—THE TALK (CONT'D)

I often joke that aging isn't for the faint of heart, and I'll now confess that it's not a joke. We've been involved with too many situations whereby family members were delayed in gaining access to financial or medical information. Frankly, there's no luxury of time during a crisis.

If it's time for you to either ask your parents about their situation or share with your children your thoughts on what's next, call us if you're not sure how to proceed. If we don't have the wisdom, at least we have a lot of life experiences to draw from that we're happy to share with you.

If nothing else, writing this column made me realize I need to have a few more conversations myself.

SPEND LESS AND LIVE LONGER OR SPEND MORE AND DIE YOUNGER?

Michael Bloomberg is credited with saying: "…the best financial planning ends with bouncing the check to the undertaker." The man was right when he first said it, and he's still right today. Who would have ever thought that living too long could be a bad thing?

Imagine if you knew the year when you were going to die. Think of all the decisions you could make years ahead of that fateful year, knowing that almost every decision would have a high probability of being right. There would be no growing old and second-guessing what happened years ago. No looking back at a life filled with coulda, woulda, and shoulda. Every decision would be spot-on.

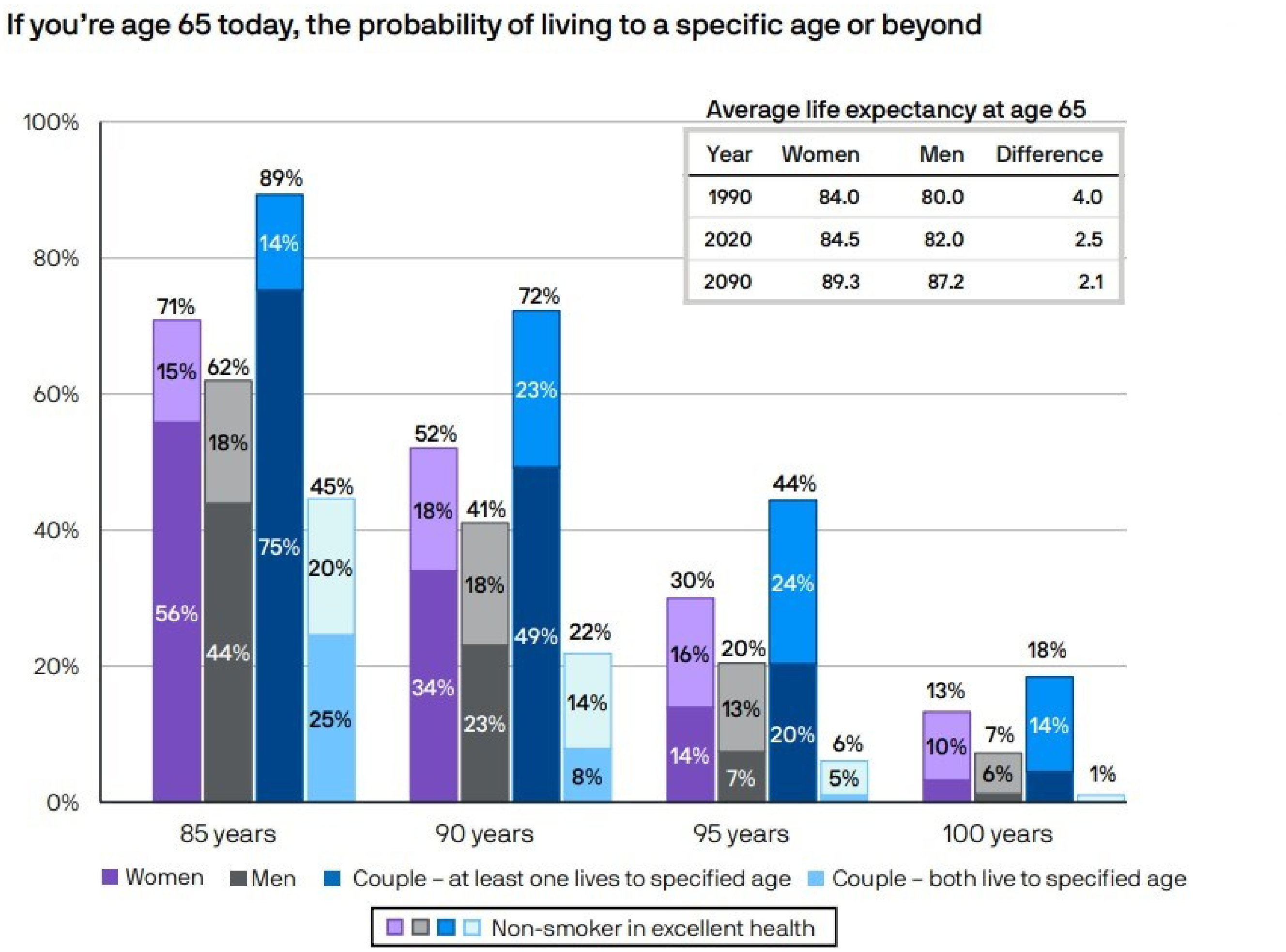
You would know when to quit your job, exactly how much to save, how much (and at what age) to travel, whether to sell your home, how much to gift to your children, or how much to donate to charities. In fact, you would have the ability to plan so well that your final expense would probably occur just before you passed, thus denying your undertaker of his/her money.

Alas, most of us will not get to live that fantasy. Instead, we're left to ponder how long we might live and face the age-old question: Do I have enough money to live the rest of my days as I would like to live them?

You may have read that COVID killed so many Americans that national life expectancy dropped. While true, specific sub-sets of Americans suffered far more than others. Thus, we didn't lower life expectancies in our financial plans. In fact, we may even extend some of them.

SPEND LESS AND LIVE LONGER OR SPEND MORE AND DIE YOUNGER? (CONT'D)

The chart below details the odds of a 65-year-old living into his/her 80s, 90s, and longer. If you're a 65-year-old non-smoking couple, for example, there's a 45% chance you'll both live to age 85; a 22% chance you'll both live to age 90; a 6% chance you'll both live to age 95, and a 1% chance you'll both live to age 100. Of even greater significance is that if a couple both live to age 65, there's an 18% chance at least one of them will live to 100.



Source (chart): Social Security Administration, Period Life Table, 2018 (published in the 2021 OASDI Trustees Report); American Academy of Actuaries and Society of Actuaries, Actuaries Longevity Illustrator, http://www.longevityillustrator.org/ (accessed January 14, 2022), J.P. Morgan Asset Management.
Source (table): Social Security Administration 2021 OASDI Trustees Report.
Probability at least one member of a same-sex female couple lives to age 95 is 26% and a same-sex male couple is 14%.

The numbers look even better for 70-year-olds. Per *Business Insider*[2], "Almost 2/3 of 70-year-old men and almost ¾ of 70-year-old women will live at least another ten years, and 1/5 of men will make it to 90, as will 1/3 of women."

SPEND LESS AND LIVE LONGER OR SPEND MORE AND DIE YOUNGER? (CONT'D)

As planners, a 22% probability that a 65-year-old couple will live to age 90 makes it reasonable to plan for two deaths near or in the early 90s but still not reasonable to assume both spouses will live to 95 or 100. Still, it's data like this that can potentially extend the upper age limit for at least one spouse when financial plans are updated.

But when you extend longevity in a financial plan, how does that impact investment portfolios? Will that mean a greater percentage of portfolio assets will need to be invested into the stock market to allow for more growth? Does extending longevity result in adding risk to a portfolio?

Knowing more assets may be required to pay for extended longevity may cause some people to work longer prior to retirement. Others may take on part-time employment to add to cash flow. (Obviously, the more you earn prior to or in retirement, the less of a burden on savings.) Or, knowing they may live longer, might retirees be more conservative about spending during the early years of retirement?

A longer lifespan poses an interesting conundrum, and that's why we have the conversations we have with clients when we prepare and update financial plans. To quote the great philosopher Stan Ehrlich: "The good news is we're all living longer. And the bad news is we're all living longer."

HAVE YOU CHECKED YOUR INSURANCE LATELY?

If you have assets, you may unknowingly be at risk from a personal liability claim. (If you don't have assets, you're probably covered by a line from the Bob Dylan song, *Like a Rolling Stone*: "When you ain't got nothing, you got nothing to lose.")

A standard homeowner's insurance policy, for example, may provide $100,000 to $500,000 in liability protection. Unfortunately, that coverage could fall short in certain situations. An example: You have a dog that bites a young child who requires cosmetic surgery. In that situation, assume the upper limit of your policy will be breached if you are sued.[3] (Don't have a dog? No problem, except when someone visits you and their dog bites a child while on your property.)

Another example involves your motor vehicle. Aside from any accidents where you may be at fault, your liability extends when you loan that vehicle to a friend. Or an adult child. Or a grandchild. Should another driver be at fault while driving your car, the upper limits of your auto insurance policy may also be exceeded by a settlement. (If you own a boat, don't forget to add that to your risk list.)

HAVE YOU CHECKED YOUR INSURANCE LATELY? (CONT'D)

Unfortunately, these are just a few examples demonstrating how policy limits may be insufficient to cover judgments. Simply put, when the coverage provided by an insurance policy is exceeded by a judgment, investment assets may have to be liquidated to satisfy the claim. In a word: Ouch.

Fortunately, for a relatively low premium, you can purchase excess liability coverage through an umbrella insurance policy. Adding $1,000,000 - $2,000,000 of excess coverage is relatively inexpensive (a few hundred dollars for the first $1,000,000 and less for each $1,000,000 thereafter) and helps to protect your investments and other assets against judgments.

If you have an insurance agent who handles your homeowner's policy, request a quote for an umbrella policy. Or call or email us, and we'll be glad to help.

S.F. Ehrlich Associates, Inc. has been providing financial advice on a fee-only, independent basis for over 25 years.

Managing Your Money is compiled entirely by Stanley F. Ehrlich and John Zeltmann.

Questions or comments are always welcome (and encouraged!).

Did we mention? If you have a friend or family member who you think might benefit from a discussion with us about financial planning and asset management, please pass along our phone number and email address. Long-term growth is not only crucial to portfolios, it's also critical to a business.

If you have a friend, co-worker, or relative who's in need of financial advice due to a pending or actual job loss, please give them our contact information. We're always glad to speak **pro bono** with people who need a hand.

CLIENTS: Please remember to contact S.F. Ehrlich if: a) there are any changes in your financial situation or investment objectives, b) you wish to impose, add or modify any reasonable restrictions to our investment management services, or c) you've changed your permanent residence.

S.F. Ehrlich Associates, Inc.
15 Alden Street, Suite 12
Cranford, NJ 07016
Fax: (908) 789-1115

Stanley F. Ehrlich
Phone: (908) 789-1100
stan@sfehrlich.com

John Zeltmann, CFP®, CFA
Phone: (908) 789-1944
jzeltmann@sfehrlich.com

[1] Gerstner, Lisa. "Make a Plan for Your Parents' Care." Kiplinger's Personal Finance, Mar. 2022, pp. 64–64.

[2] Kiersz, Andy. "This Is When You're Going to Die." Business Insider, Business Insider, 21 Mar. 2014, https://www.businessinsider.com/social-security-life-table-charts-2014-3.

[3] Robic, Ana. "How to Help Protect Client Portfolios from Excess Liability Claims." Investment Advisor, Mar. 2022, pp. 46–46.